GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1333
ANSWERED ON:02.03.2006
OIL PRICE HIKE
Singh Shri Prabhunath

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government is evolving a package to avert oil price hike;

(b) if so, the details thereof;

(c) the manner by which the economic interests of the public sector oil companies will be protected;

(d) whether a part of financial outlays pertaining to food subsidy is to be earmarked to contain the oil price hike; and

(e) if so, the amount likely to be channeled to subsidies kerosene and cooking gas ?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a) to (c): In order to formulate a long-term pricing policy, the Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister to examine different aspects of pricing and taxation of petroleum products with a view to stabilizing/rationalizing their prices, keeping in view the financial position of the oil companies, the investment needed in the sector, the need to conserve petroleum products, and establishing a transparent mechanism for the autonomous adjustment of prices by the oil companies. The Committee submitted its report on 17.2.2006. The recommendations made in this report can be divided broadly into three groups as under:-

1. On pricing of petrol and diesel:

(i) Shift to a trade parity pricing formula for determining refinery gate as well as retail prices;

(ii) Government to keep at arms length from price determination and to allow flexibility to oil companies to fix the retail price under the proposed formula; and

(iii) Reduce effective protection by lowering the customs duty on petrol and diesel to 7.5%.

2. On pricing of domestic LPG and PDS kerosene:

(i) Restrict subsidized kerosene to BPL families only;

(ii) Raise the price of domestic LPG by Rs. 75/cylinder;

(iii) Discontinue the practice of asking upstream companies to provide upstream assistance, but instead collect their contribution by raising the OIDB cess from the present level of Rs. 1,800/MT to Rs. 4,800/MT; and

(iv) Government meeting the balance cost of subsidy from the budget.

3. On restructuring excise duties:

Shift from the present mix of specific and ad-valorem to a pure specific levy and calibrating the levies at Rs. 5.00/litre of diesel and Rs. 14.75/litre of petrol.

The Committee has recommended that each of the first two sets of recommendations should be implemented as integrated packages.

The report of the committee is being examined by Government.

(d): No, Sir.

(e): Does not arise in view of (d) above.